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Chief, Physical Security Division, OS

12 June 1956

Chief, Security Staff, Office of Logistics

Classified Contract Security

References: (a) CIA Regulation R-45-550
(b) CIA Regulation R-10-120

1. Reference (a) above charges the Office of Logistics with primary inspection responsibilities for determining that commercial contractors holding Agency classified contracts have "adequate" physical security safeguards. Paragraph 8 b. of reference (b) above provides that the Office of Security will provide technical guidance and assistance to Security Officers in the performance of their functions.

2. This is to advise you that, in the absence of any Office of Security regulations covering security standards for classified commercial contractors, we have been attempting with some success to require such contractors to adhere to rigid standards equivalent insofar as is practicable to those specified for Agency buildings. While we would like to have an Industrial Security Handbook approved by the Agency and similar to those of Department of Defense agencies and the Atomic Energy Commission, our most pressing problems concern the maintenance of high uniform standards for the storage of classified papers and/or material. In particular, guidance is requested in connection with the following problems.

- (a) What is the minimum requirement for safes used by commercial contractors for the storage of Agency classified documents and material?
- (b) Are such minimum requirements to be extended to commercial firms to whom we wish to send classified proposals or invitations-to-bid, but who may never secure an Agency contract?
- (c) When a commercial contractor or prospective contractor refuses to meet our minimum standards for safe-keeping equipment, what policy should be followed?

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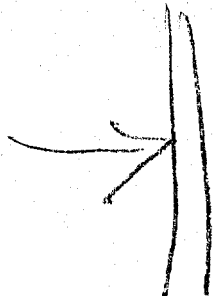
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3. In connection with 2 (a) above, this office has been attempting with some success to require contractors to comply with the following requirement:

"A safe or safe type steel insulated record container weighing at least 600 pounds, having an Underwriters Laboratory full class "C" one hour fire label, and equipped with a manipulation proof combination lock located preferably on the second drawer."

However, in a recent conversation you pointed out that even this requirement is now below Agency standards, as the only "approved" safe file is a modified Herring-Hall-Marvin type not available commercially. In resolving the question posed in 2 (a) above, your attention is invited to the following factors:

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- (a) Furnishing contractors with the new "approved" Herring-Hall-Marvin safe is probably unfeasible due to the heavy expense, difficulties in procurement, and cover problems.
 - (b) Consideration should be given to relaxing requirements for safe files, when supplemented by other physical safeguards such as guard forces, warning devices, physical barriers, etc. It might be possible to work out a numerical equivalent system such as is used by the Atomic Energy Commission.
 - (c) It appears advisable to make any minimum specifications for safes broad enough so that they could be purchased from at least two different manufacturers.
 - (d) Consideration should be given to the fact that requiring contractors to have equipment differing from Department of Defense standards is not consistent with our "agency sterile" concept. The bulk of our classified contracts including both classified and unclassified items, fall into this category. Only a very limited number of the contractors' employees are cleared and cognizable of agency interest.

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4. With reference to the problem posed in 2 (b) above, your attention is invited to the long-existing procedure whereby proposals or invitations-to-bid plus specifications, one or both classified SECRET, are sent via registered mail to prospective bidders. The addressees normally are allowed three weeks for preparation of bids and proposals. Extending the minimum requirements for safe files to such prospective contractors involves the following problems:

- (a) In many instances, particularly when bids are sought from new sources, no information is available in file regarding the safe-keeping equipment available to prospective bidders. Physical inspection of their facilities prior to submission of proposals or invitations-to-bid is obviously impossible due to urgency, expense, and limited manpower available. A solution might be worked out requiring such prospective contractors to return all classified papers via registered mail the same day they were received unless they will certify they have safe keeping equipment meeting our standards. However, many companies would understandably object to being required to make bids on such a crash basis.
- (b) Requiring prospective contractors to purchase safe keeping equipment when there is no guarantee they will be successful bidders is obviously unfair. Such an expenditure by a bidder might put the Agency under an implied obligation. It is suggested that Department of Defense standards be accepted at this point but prospective contractors be advised that if their bid or proposal is accepted they will be required to comply with our security standards.

5. In connection with the problem in 2 (c) above, instances have arisen when a contractor refuses to meet our minimum standards for safe keeping equipment. Ordinarily this problem occurs when the contractor is a very large firm not particularly interested in our business, or when the contract is quite small and the security expenses all out of proportion to the expected profit, or when the contractor is the only possible source for a particular item and can do business on his own terms. The following policies could be followed, but each has its drawbacks:

- (a) Ship the contractor approved safe keeping files from our stock at government expense. This would be very expensive and involve numerous problems such as cover, ultimate recovery of the equipment, etc.

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- (b) Instruct the contractor to buy approved equipment on the open market at our expense. Ultimate recovery is then very difficult and involves various problems such as whether we can use a safe traceable to an uncontrolled source, also shipping expenses, etc. Sometimes this can be adjusted in contract termination negotiations, but there are no such negotiations on most production contracts or purchase orders.
- (c) Induce the contractor to buy approved equipment at his own expense. This method is preferable, of course, we are not always successful and ultimately find we have to buy the safe or ship one from our limited stock.

6. Since this Staff is currently in the process of surveying and revising our plant protection procedures, an early reply will be appreciated. We shall be glad to cooperate and furnish any additional information required by your Division.

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